

ACCOUNTING

Time allowed – 1½ hours

Total Marks – 100

[N.B- The figures in the margin indicate full marks. Questions must be answered in English. Examiner will take account of the quality of language and of the way in which the answers are presented. Different parts, if any, of the same question must be answered in one place in order of sequence]

Marks

- | | | |
|----|--|---|
| 1. | (a) What are the objectives of financial statements? | 4 |
| | (b) What are the qualitative characteristics of financial information? | 6 |

2. Ms. Farzana started a new business in the name of 'Vanity' with an objective of providing home service relating to beautification and skincare. The following were the transactions during the first year of operation:

01.01.2011: Opened a bank account with Tk. 40,000. Withdrawn bank loan of Tk.5,00,000 and arranged an overdraft limit for the same amount.

01.01.2011: Bought a car for Tk.2,50,000 in cash. Insured the car for Tk. 30,000 and paid the premium in cash. Bought various equipment for Tk.1,50,000 and consumable items for Tk.50,000 on credit.

Total bills during the year amounted to Tk.15,94,500, all on credit.

During the year Farzana purchased additional consumables for Tk.3,69,000 on credit, diesel for car for Tk.65,000 in cash and withdrew Tk.1,25,000 from business as personal drawing. During the year total amount received was Tk.12,93,500 from customers and total payment made was Tk.3,25,000 to suppliers.

Prepare necessary ledger accounts, statement of comprehensive income and statement of cash flow for the first year of business.

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3. The Unique shop has the following trial balance as at 30 September 2011.

	Tk.	Tk.
Sales		1,56,000
Purchase	65,000	
Non-current assets	2,00,000	
Inventory at 1.10.10	10,000	
Cash at Bank	12,000	
Trade Receivables	54,000	
Trade Payables		40,000
Distribution costs	10,000	
Cash in hand	2,000	
Administrative Expenses	15,000	
Finance Costs	5,000	
Carriage Inward	1,000	
Carriage outward	2,000	
Capital account 1.10.10	1,80,000	
	<u>3,76,000</u>	<u>3,76,000</u>

The following additional information are available:

- (a) Closing inventory at 30.9.11 is Tk.13,000, after writing off damaged goods of Tk.2,000.
- (b) Included in administrative expenses is machinery rental of Tk.6,000 covering the year to 31 December 2011.
- (c) A late invoice for Tk.12,000 covering rent for the year ended 30 June 2012 has not been included in the trial balance.

Prepare the statement of comprehensive income and financial position for the year ended 30 September 2011

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[Please turn over]

4. Following errors were discovered after the preparation of trial balance of Trishna Distributions Ltd:
- a) A purchase of Tk.50,000 from Keru & Co. on the last date of the year was taken into stock but the invoice was not passed through purchase book.
 - b) Sale of goods amounting to Tk.30,000 was included in sales account, out of which goods with sales value of Tk. 12,500 were returned. No record of the return was made in the books but the returned goods were included in the stock at their cost price of Tk. 10,000.
 - c) A Computer with carrying value of Tk.20,000 was sold for Tk.12,500 to supplier of a new sophisticated Computer costing Tk.1,12,500 and the net invoice of Tk.1,00,000 was recorded in the books.
 - d) A payment of Tk.5,40,000 was made towards cost of stamp and registration fees for purchase of a new building. This amount was posted to legal charges A/c as Tk. 45,000
 - e) Sales include Tk.10,000 for goods sold in cash out of goods purchased from Mr. Barek. Mr. Barek is entitled to a commission of 10% on such sales.

Your are required to prepare journal entries to rectify the above mentioned errors.

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5. (a) Write short notes on following concepts:

4x3=12

- (i) Going concern
- (ii) Accrual basis of accounting
- (iii) Materiality

6. A firm has the following transactions with respect to its product R.

Opening inventory: nil

Buys 15 units at Tk.300 and 17 units at Tk.250 per unit

Sells 13 units Tk.400 per unit

Buys 11 units at Tk.200 per unit

Sells 17 units at Tk.450 per unit

Using FIFO, calculate the following on an item by item basis:

- (i) Closing inventory and (ii) Cost of sales

3x2=6

7. (a) Disney Ltd, has 10,00,000 ordinary shares of Tk.10.00 each and 2,00,000 preference shares of Tk.10.00 each. The company manufactures gas appliances. During the financial year to 31 December 2011 the company had to pay Tk.50,000 compensation from an uninsured claim for personal injuries suffered by a customer while on the company premises.

The profit for year ended December 2011 was Tk.20,00,000. Disney Ltd. declared dividend on preference share @ 4%. Assuming an income tax rate of 45%, ascertain the profit from business and calculate earnings per share.

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- (b) What are the accounting treatments related with dividend under the following circumstances:

3x3=9

- (i) Payment of final dividend.
- (ii) Declaration of interim dividend.
- (iii) Declaration of final dividend.